

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Note 1- Purpose of the Schedule and Significant Accounting Policies

Purpose of the Schedule - OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires a Schedule of Expenditures of Federal Awards showing each Federal financial assistance program as identified in the Catalog of Federal Domestic Assistance.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133. As defined in that Circular, Federal financial assistance ". . . means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . ." It includes awards received directly from Federal agencies, or indirectly through other units of state and local governments. Accordingly, the accompanying Schedule includes both cash and noncash Federal financial assistance programs. Those programs that have not been assigned a catalog number, or for which the catalog number was not available, have been shown either at the bottom of the relevant Federal grantor subheading or under the "Other Federal Assistance" subheading.

Reporting Entity - The accompanying Schedule includes all Federal financial assistance programs administered by the Commonwealth of Kentucky except for those programs administered by the state universities. As allowed by the Single Audit Act Amendments of 1996 and OMB Circular A-133, the Commonwealth elected to exclude state universities from the statewide single audit, except as part of the audit of the Commonwealth's general-purpose financial statements.

Basis of Accounting - The cash expenditures on the accompanying Schedule of Expenditures of Federal Awards are presented primarily on the basis of cash disbursements as modified by the application of KRS 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed.

KRS 45.229 provides that the Finance and Administration Cabinet may, ". . . for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose." However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

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(CONTINUED)**

Note 1- Purpose of the Schedule and Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The Commonwealth's general-purpose financial statements are presented on the accrual/modified accrual basis of accounting. Therefore, the Schedule of Expenditures of Federal Awards may not be directly traceable to the general-purpose financial statements in all cases.

The non-cash expenditures presented on this Schedule represent the non-cash assistance expended by the Commonwealth during the period July 1, 1997, through June 30, 1998, using the method or basis of valuation as described in the notes to the Schedule of Expenditures of Federal Awards for each program. These non-cash assistance programs are not reported in the Commonwealth's general-purpose financial statements for the year ended June 30, 1998.

The schedules for 8 state agencies that account for 94 percent of the total cash expenditures of Federal awards are presented on the modified cash basis of accounting as explained above:

Department of Education
Cabinet for Families and Children
Cabinet for Health Services
Department for Local Government
Department of Military Affairs
Natural Resources and Environmental Protection Cabinet
Transportation Cabinet
Workforce Development Cabinet

In addition, the Kentucky Housing Corporation, which accounts for two percent of the total cash expenditures of Federal awards, is presented on the accrual basis of accounting. The remaining state agencies' Schedules of Expenditures of Federal Awards are presented on the cash, modified cash, or accrual basis of accounting.

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Note 1 - Purpose of the Schedule and Significant Accounting Policies (Continued)

Inter-agency Activity - Certain transactions relating to Federal financial assistance may appear in the records of more than one state agency. To avoid the overstatement of Federal expenditures, the following policies were adopted for the presentation of the Commonwealth's Schedule of Expenditures of Federal Awards:

(a) Federal moneys may be received by one state agency (primary state agency - recipient) and passed through to another state agency (secondary state agency - subrecipient) where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported in the Commonwealth's Schedule of Expenditures of Federal Awards as follows:

- Under the primary state agency, the Federal program is reported as a direct program. However, the transfer of money to the secondary state agency is not included in the primary state agency's expenditures.
- Under the secondary state agency, the Federal program is reported as a pass-through program. The expenditure of the transferred moneys is reported in the secondary agency's expenditures.

Because the Commonwealth's Schedule excludes Federal financial assistance related to state universities, when a state agency passes Federal money to a state university, this is reported in the Schedules as an expenditure of that state agency.

(b) Federal moneys received by a state agency and used to purchase goods or services from another state agency are reported in the Commonwealth's Schedules only by the purchasing agency as an expenditure.

Note 2 - Type A Programs

Under the provisions of OMB Circular A-133, a Type A program for the Commonwealth means any program for which total expenditures of Federal awards exceeded \$12 million. Clusters are a group of closely related programs sharing common compliance requirements. A cluster of programs must be considered as one program for determining Type A programs. In relation to noncash Federal financial assistance programs, this threshold is generally applied to the amount of assistance expended during the year as presented on the

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Note 2 - Type A Programs (Continued)

non-cash portion of the Schedule of Expenditures of Federal Awards, plus any cash expenditures under the same CFDA designation. In the case of guarantee type programs, this threshold is applied to the value of new guaranteed loans/debentures during the year, plus the balance of guaranteed loans/debentures from previous years for which the Federal government still imposed continuing compliance requirements during the year, plus any interest subsidy, cash, or administrative cost allowance received. In relation to revolving loan type programs, this threshold is applied to the value of new loans during the year, plus the balance of loans from previous years that were outstanding during the year, plus the amount of interest income collected during the year.

The Commonwealth had the following programs (cash and noncash) which met the Type A program definition for the year ended June 30, 1998, some of which were administered by more than one state agency. The Commonwealth identified eight clusters, which included more than one Federal program, among the Type A programs. These Type A programs and clusters were:

CFDA #	Program Title	Expenditures
10.550	Food Distribution	\$ 13,982,507
10.551	Food Stamps	352,605,393 a
10.553	School Breakfast Program	25,559,908 b
10.555	National School Lunch Program	81,529,555 b
10.556	Special Milk Program for Children	86,928 b
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	82,985,869
10.558	Child and Adult Care Food Program	14,309,440
10.559	Summer Food Service Program for Children	2,969,417 b
10.561	State Administrative Matching Grants for Food Stamp Program	26,405,514 a
14.182	Lower Income Housing Assistance Program – Section 8 New Construction/Substantial Rehabilitation	61,486,323 c
14.228	Community Development Block Grants/State's Program	35,476,715

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Note 2 - Type A Programs (Continued)

CFDA #	Program Title	Expenditures
14.239	HOME Investment Partnerships Program	12,105,020
14.855	Section 8 Rental Voucher Program	4,299,250 c
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	1,525,502 c
14.857	Section 8 Rental Certificate Program	6,430,612 c
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	13,193,422
15.252	Abandoned Mine Land Reclamation (AMLR) Program	15,842,963
17.207	Employment Services	13,465,219 d
17.225	Unemployment Insurance	251,774,472
17.246	Employment and Training Assistance – Dislocated Workers	16,145,713 e
17.250	Job Training Partnership Act	26,623,795 e
17.801	Disabled Veterans’ Outreach Program (DVOP)	781,580 d
17.804	Local Veterans’ Employment Representative Program	893,928 d
20.205	Highway Planning and Construction	326,307,796
59.041	Certified Development Company Loans (504 Loans)	23,421,674
66.458	Capitalization Grants for State Revolving Funds	19,652,422
83.544	Public Assistance Grants	1,500,775
84.007	Federal Supplemental Educational Opportunity Grants	179,660 g
84.010	Title I Grants to Local Educational Agencies	118,645,331
84.027	Special Education - Grants to States	35,246,536 f
84.032	Federal Family Education Loans	10,806,099 g
84.048	Vocational Education – Basic Grants to States	11,554,182
84.063	Federal Pell Grant Program	6,544,559 g

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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Note 2 - Type A Programs (Continued)

CFDA #	Program Title	Expenditures
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	42,390,649
84.173	Special Education – Preschool Grants	8,987,880 f
93.268	Immunization Grants	13,389,518
93.558	Temporary Assistance for Needy Families	145,300,051
93.563	Child Support Enforcement	31,526,973
93.568	Low-Income Home Energy Assistance	14,695,143
93.595	Welfare Reform Research, Evaluation, and National Studies	17,782,464
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	24,648,180
93.658	Foster Care - Title IV-E	43,622,560
93.667	Social Services Block Grant	29,099,467
93.775	State Medicaid Fraud Control Units	863,470 h
93.777	State Survey and Certification of Health Care Providers and Suppliers	3,211,943 h
93.778	Medical Assistance Program	1,848,432,452 h
93.959	Block Grants for Prevention and Treatment of Substance Abuse	16,079,947
96.001	Social Security – Disability Insurance	<u>31,322,360</u>
Total Type A Programs		<u><u>\$2,968,753,789</u></u>

Identified clusters include:

- a – Food Stamp Cluster (Cabinet for Families and Children)
- b – Child Nutrition Cluster (Department of Education)
- c – Section 8 Cluster (Kentucky Housing Corporation)
- d – Employment Services Cluster (Workforce Development Cabinet)
- e – JTPA Cluster (Workforce Development Cabinet)
- f – Special Education Cluster (Department of Education)
- g – Student Financial Aid Cluster (Kentucky Higher Education
Assistance Authority, Workforce Development Cabinet)
- h – Medicaid Cluster (Cabinet for Health Services)

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Note 3 - Federally Assisted Loan Programs

The Commonwealth has several loan programs made possible with initial advances in prior years from the Federal government. In addition, the Federal government guarantees some loan programs.

a) The Kentucky Rural Rehabilitation Student Loan Program was initially awarded \$672,629 in 1970 by the U. S. Farmers Home Administration. Since 1970, the program has operated on interest from student loans outstanding and on income from investments in U.S. Treasury Bills and overnight investments. Investments in Treasury Bills totaled \$1,137,769 and student loans outstanding totaled \$70,659 as of June 30, 1998. The program earned \$71,278 from investments and \$3,043 from interest on outstanding loans. The entire Rural Rehabilitation Fund is on deposit with and managed through the Office for Financial Management and Economic Analysis and recorded in the state accounting system (STARS).

b) The Kentucky Appalachian Enterprise Development Loan Program (subgrant of CFDA #23.001) had one outstanding loan for the year ended June 30, 1998. The original amount of this loan was \$210,000. No new loans were made during the year ended June 30, 1998. The balance of the outstanding loan was \$132,112 as of the year ended June 30, 1998.

c) The Commonwealth Small Business Development Corporation (Corporation) provides fixed asset loans to small businesses located in Kentucky. Loans, which are guaranteed by the U.S. Small Business Administration (SBA), are funded by financial institutions or by issuing debentures. At June 30, 1998, Federal programs of the Commonwealth Small Business Development Corporation had issued debentures in the principal amount of \$34,555,000 and loaned the related proceeds to various projects. In addition the SBA transferred debentures in the principal amount of \$5,046,000 to the Corporation. The outstanding balance of these notes was \$24,421,969. This is a guarantee program only, and the Corporation receives no Federal assistance.

d) Total moneys for the Gas System Restoration Project, administered by the Department for Local Government (CFDA # 11.307), consist of \$3,150,000 from the U. S. Economic Development Administration; \$500,000 from the U.S. Appalachian Regional Commission; and \$650,000 in state matching moneys, for a total commitment to the revolving loan program of \$4,300,000. All moneys had been received and paid out for loans as of June 30, 1998.

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Note 3 - Federally Assisted Loan Programs (Continued)

e) The Kentucky Higher Education Student Loan Corporation issues revenue bonds in order to purchase student loans authorized under the Federal Family Education Loans program (CFDA #84.032). The Kentucky Higher Education Assistance Authority guarantees substantially all loans made and purchased by the Kentucky Higher Education Student Loan Corporation. The U.S. Department of Education provides for reinsurance of loans guaranteed by the Authority. Outstanding loans guaranteed under this program totaled \$1,637,205,000 as of June 30, 1998.

f) The Kentucky Infrastructure Authority administers a wastewater revolving loan program that is funded by the U.S. Environmental Protection Agency's Capitalization Grants for State Revolving Funds. During the year ended June 30, 1998, the Authority issued loans totaling \$18,447,607, with outstanding loans of \$162,371,425 at year-end.

g) The Kentucky Housing Corporation provides mortgage bank assistance in originating and processing FHA/VA insured housing loans. Loans guaranteed under this program were \$86,294,000 during the year ended June 30, 1998. At June 30, 1998, the total book value of the loans outstanding was \$ 282,737,000.

Note 4 - Activity Occurring in Programs with Inventoriable Items

The Cabinet for Families and Children receives, stores, and distributes inventory items related to the Food Stamps program. In these instances, all items received are eventually distributed.

	Food Stamps CFDA # 10.551
Beginning Inventory, July 1 1997	\$ 77,541,637
Current Year Receipts	350,421,000
Current Year Distributions	(352,605,393)
Transfers/Losses/Adjustments	4,380,908
Ending Inventory, June 30, 1998	<u>\$ 79,738,152</u>

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Note 4 - Activity Occurring in Programs with Inventoriable Items (Continued)

The Department of Agriculture operates a warehouse in Louisville, Kentucky for the Commodity Supplemental Food Program (CFDA #10.565). The dollar value of the inventory, based on the USDA Commodity File dated May 1998, is as follows:

	Commodity Supplemental Food Program CFDA # 10.565
Beginning Inventory - July 1, 1997	\$ 290,145
Received	1,174,806
Issued to Recipients	(1,165,546)
Losses/Adjustments	(21,073)
Ending Inventory, June 30, 1998	\$ 278,332

The Cabinet for Health Services (CHS) is a pass-through entity for local organizations. CHS receives, stores, and distributes vaccine, needle, and syringe inventory items related to the Immunization Grants (CFDA # 93.268) program. CHS was unable to provide an accurate inventory at June 30, 1998. See finding 98-CHS-37 in the Schedule of Findings and Questioned Costs for further discussion.

Note 5 - Unemployment Insurance (CFDA #17.225)

The Commonwealth paid out \$229,463,951 in benefits during the year ended June 30, 1998. The amounts shown on the accompanying Schedule of Expenditures of Federal Awards reflect both the amount expended for benefits from the Trust Fund and an additional \$22,310,521 of Federal funds expended for administration of the program, resulting in a combined total of \$251,774,472 Federal expenditures.

Note 6 - Highway Planning and Construction Program (CFDA #20.205)

The information reported for this program represents the activity of all open projects during the year ended June 30, 1998. These projects were funded from several apportionments. Apportionments refer to a Federal statutorily prescribed

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Note 6 - Highway Planning and Construction Program (CFDA #20.205)
(Continued)

division or assignment of funds. The expenditures reflected on the Schedule of Expenditures of Federal Awards include expenditures for advance construction projects which are not yet under agreements with the Federal Highway Administration.

Program Income - The Highway Planning and Construction Program earned program income of \$62,351 in the year ended June 30, 1998. This income was earned in the right-of-way phase through the sale or rental of real property. Income earned in this manner was classified as a negative expenditure, resulting in a reduction to Federal expenditures for the current year.

Prior Year Refunds - Expenditures for the Highway Planning and Construction Program were shown net of any prior year refunds, resulting from a reimbursement of prior year expenditures. Prior year refunds totaled \$944,397 for the year ended June 30, 1998.

Note 7 - Outdoor Recreation - Acquisition, Development and Planning
(CFDA # 15.916)

Administrative costs are shown as expended when received from the Federal government. These costs are recovered through a negotiated, fixed-indirect cost rate. Any over or under recovery will be recouped in the future.

Note 8 - Joint Funding Administration

The Joint Funding Administration consists of grants from the following Federal agencies:

CFDA #	Agency
11.302	U.S. Department of Commerce
14.219	U.S. Department of Housing and Urban Development
16.579	U.S. Department of Justice
23.009	Appalachian Regional Commission
84.181	U.S. Department of Education

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Note 9 - Subrecipient Activity

A subrecipient is a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program. The following list summarizes the amount of Federal funds sent to subrecipients.

CFDA #	Federal Program Name	Amount Sent
10.550	Food Distribution	\$ 13,982,507
10.553	School Breakfast Program	25,513,095
10.555	National School Lunch Program	81,423,492
10.556	Special Milk Program for Children	86,928
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	924,173
10.558	Child and Adult Care Food Program	14,233,209
10.559	Summer Food Service Program for Children	2,890,057
10.561	State Administrative Matching Grants for Food Stamp Program	591,258
10.570	Nutrition Program for the Elderly (Commodities)	1,931,358
10.664	Cooperative Forestry Assistance	245,088
11.305	Economic Development - State and Local Economic Development Planning	200,000
11.450	Integrated Flood Observing and Warning System (INFLOWS)	272,010
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	294,223
14.228	Community Development Block Grants/State's Program	34,973,918
14.231	Emergency Shelter Grants Program	989,933
14.238	Shelter Plus Care	144,695
14.239	HOME Investment Partnerships Program	7,343,446
14.241	Housing Opportunities for Persons with AIDS	331,345
14.408	Fair Housing Initiatives and Administrative Enforcement Initiative Program	67,829
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	118,896
15.252	Abandoned Mine Land Reclamation (AMLR) Program	5,060,751

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Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
15.615	Cooperative Endangered Species Conservation Fund	10,600
15.904	Historic Preservation Fund Grants-In-Aid	251,359
15.916	Outdoor Recreation - Acquisition, Development and Planning	124,555
16.548	Title V - Delinquency Prevention Program	186,910
16.575	Crime Victim Assistance	2,327,486
16.579	Byrne Formula Grant Program	3,952,072
16.588	Violence Against Women Formula Grants	790,825
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	31,027
16.592	Local Law Enforcement Block Grants Program	176,000
16.710	Public Safety Partnership and Community Policing Grants	45,498
17.207	Employment Services	774,045
17.225	Unemployment Insurance	94,804
17.235	Senior Community Service Employment Program	1,666,310
17.246	Employment and Training Assistance - Dislocated Workers	7,907,160
17.250	Job Training Partnership Act	25,700,038
20.219	Recreational Trails Program	101,758
20.505	Federal Transit Technical Studies Grants	318,436
20.507	Federal Transit Capital and Operating Assistance Formula Grants	119,606
20.509	Public Transportation for Nonurbanized Areas	3,547,829
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	516,345
20.600	State and Community Highway Safety	1,341,017
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	47,200
23.001	Appalachian Regional Development	294,500
23.002	Appalachian Supplements to Federal Grant-In-Aid (Area Development)	486,550
45.007	Promotion of the Arts – State and Regional Program	70,500
45.010	Promotion of the Arts – Expansion Arts	23,541

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Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
45.015	Promotion of the Arts – Folk and Traditional	30,500
45.310	State Library Program	59,600
47.076	Education and Human Resources	931,862
59.045	Natural Resource Development	16,152
62.001	TVA Environmental Research and Services	19,500
66.032	State Indoor Radon Grants	44,711
66.454	Water Quality Management Planning	97,737
66.458	Capitalization Grants for State Revolving Funds	18,447,607
66.461	Wetlands Protection – Development Grants	13,506
66.463	National Pollutant Discharge Elimination System Related State Program Grants	70,505
66.606	Survey, Studies, Investigations and Special Purpose Grants	(2,707)
66.708	Pollution Prevention Grants Program	8,257
66.808	Solid Waste Management Assistance	18,653
81.041	State Energy Program	14,469
81.042	Weatherization Assistance for Low-Income Persons	1,898,405
81.052	Energy Conservation for Institutional Buildings	665,875
81.502	Paducah Gaseous Diffusion Plant Environmental Monitoring and Oversight	1,737,623
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	39,451
83.505	State Disaster Preparedness Grants	18,059
83.521	Earthquake Hazards Reduction Grants	18,000
83.534	Emergency Management - State and Local Assistance	751,961
83.535	Mitigation Assistance	24,878
83.539	Crisis Counseling	885,434
83.543	Individual and Family Grants	3,384,835
83.544	Public Assistance Grants	27,058,612
83.547	First Responder Anti-Terrorism Training Assistance	40,000
83.549	Chemical Stockpile Emergency Preparedness Program	601,156

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Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
84.002	Adult Education – State Grant Program	4,732,518
84.004	Civil Rights Training and Advisory Services	(1,259)
84.010	Title I Grants to Local Educational Agencies	116,746,136
84.011	Migrant Education – Basic State Grant Program	7,882,483
84.013	Title I Program for Neglected and Delinquent Children	3,606
84.023	Special Education – Innovation and Development	129,210
84.025	Services for Children with Deaf - Blindness	230,989
84.027	Special Education – Grants to States	32,692,952
84.034	Public Library Services	371,829
84.035	Interlibrary Cooperation and Resource Sharing	108,630
84.048	Vocational Education - Basic Grants to States	11,931,399
84.086	Special Education – Program for Severely Disabled Children	96,169
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	33,569
84.158	Secondary Education and Transitional Services for Youth with Disabilities	231,642
84.162	Immigrant Education	140,600
84.164	Eisenhower Mathematics and Science Education – State Grants	(246)
84.173	Special Education – Preschool Grants	8,451,326
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	88,844
84.181	Special Education – Grants for Infants and Families with Disabilities	603,385
84.185	Byrd Honors Scholarships	133,195
84.186	Safe and Drug-Free Schools and Communities - State Grants	8,820,927
84.194	Bilingual Education Support Services	39,681
84.196	Education for Homeless Children and Youth	323,419
84.213	Even Start – State Educational Agencies	1,517,480
84.214	Even Start – Migrant Education	117,630
84.215	Fund for the Improvement of Education	59,252
84.216	Capital Expenses	137,396
84.218	State School Improvement Grants	20,788

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Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
84.224	State Grants for Assistive Technology	360,756
84.243	Tech-Prep Education	2,439,290
84.276	Goals 2000 – State and Local Education Systemic Improvement Grants	5,322,971
84.278	School-to-Work Implementation Grant	3,584,128
84.281	Eisenhower Professional Development State Grants	3,745,337
84.298	Innovative Education Program Strategies	3,631,169
84.318	Technology Literacy Challenge Fund Grants	6,612,141
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	67,191
93.042	Special Programs for the Aging-Title VII, Chapter 2-Long-Term Care Ombudsman Services for Older Individuals	1,293
93.043	Special Programs for the Aging-Title III, Part F-Disease Prevention and Health Promotion Services	218,506
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	4,094,397
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	5,847,312
93.046	Special Programs for the Aging-Title III, Part D-In-Home Services for Frail Older Individuals	129,767
93.048	Special Programs for the Aging-Title IV-Training, Research and Discretionary Projects and Programs	77,374
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	44,100
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	375,518
93.125	Mental Health Planning and Demonstration Projects	75,255
93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	100,000

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Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
93.150	Projects for Assistance in Transition from Homelessness (PATH)	205,433
93.194	Community Prevention Coalitions (Partnership) Demonstration Grant	25,732
93.262	Occupational Safety and Health Research Grants	79,046
93.268	Immunization Grants	475,037
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	84,453
93.556	Family Preservation and Support Services	3,533,464
93.558	Temporary Assistance for Needy Families	7,695,371
93.563	Child Support Enforcement	15,840,229
93.568	Low-Income Home Energy Assistance	14,508,625
93.569	Community Services Block Grant	7,749,688
93.575	Child Care and Development Block Grant	3,634,692
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	8,873,429
93.630	Developmental Disabilities Basic Support and Advocacy Grants	240,087
93.643	Children's Justice Grants to States	82,667
93.658	Foster Care - Title IV-E	6,395,741
93.667	Social Services Block Grant	410,647
93.669	Child Abuse and Neglect State Grants	458,309
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	647,643
93.674	Independent Living	675,752
93.779	Health Care Financing Research, Demonstrations and Evaluations	156,745
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	258,413
93.931	Demonstration Grants to States for Community Scholarships	54,844

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)**

Note 9 - Subrecipient Activity (Continued)

CFDA #	Federal Program Name	Amount Sent
93.938	Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	63,050
93.958	Block Grants for Community Mental Health Services	5,316,302
93.959	Block Grants for Prevention and Treatment of Substance Abuse	8,849,265
93.982	Mental Health Disaster Assistance and Emergency Mental Health	5,983
93.991	Preventive Health and Health Services Block Grant	2,041,523
93.994	Maternal and Child Health Services Block Grant to the States	868,474
94.003	State Commissions	156,165
94.004	Learn and Serve America - School and Community Based Programs	285,499
94.006	AmeriCorps	2,583,745
94.009	Training and Technical Assistance	119,493
94.011	Foster Grandparent Program	164,606
96.001	Social Security - Disability Insurance	4,797,531
NA	HUD Disaster Recover Initiative	2,414,419
NA	Joint Funding Administration	2,229,105
NA	Kentucky Demonstration	3,785,419
NA	Surveys, Studies, Investigations	64,375
Total Amounts Sent to Subrecipients		<u>\$ 637,619,879</u>

Note 10 - Community Development Block Grants/State's Program (CFDA #14.228)

The Commonwealth matches the Federal portion of administration dollar for dollar. Cash expenditures include the Federal portion of administration.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)

Note 11 - Conditional Projects

The Department of Fish and Wildlife Resources leases land from the U.S. Army Corps of Engineers for Condition 3 and Condition 5 Projects. These projects stipulate that the acreage leased be managed for wildlife purposes. Part of the management can include leasing the land for farming practices. If this election is made, the Department will advertise for bids and accept the highest proposal. The bidder (farmer) then remits his bid price to the Department, which must account for this income. Condition 3 Project guidelines require the income to be utilized on the wildlife area within three years. Similarly, Condition 5 Project guidelines require income to be utilized for the administration, maintenance, operation, and development of the wildlife area within five years starting from the lease date, and continuing in five year intervals. If the moneys are not utilized in the specified time period, the unexpended balance reverts to the U.S. Army Corps of Engineers.

Currently, there are two wildlife areas that are under the Condition 3 Project guidelines. Receipts for the year ended June 30, 1998 were:

Dewey Lake WMA	\$ 200
Fishtrap Lake WMA	1,000

In addition, there are four wildlife areas that are under the Condition 5 Project guidelines. Income from each area is relatively consistent each year. Receipts for the year ended June 30, 1998 were:

Barlow Bottoms WMA, Olmstead tract	\$ 4,000
Barren River WMA	16,342
Green River WMA	34,694
Sloughs WMA, Grassy Pond & Highland Creek	64,442

Note 12 - Manufactured Home Construction Program

The Department of Housing, Buildings, and Construction entered into a cooperative agreement with the U.S. Department of Housing and Urban Development on July 15, 1976, whereby the Department of Housing, Buildings, and Construction inspects all manufactured housing shipped into the state of Kentucky. The U.S. Department of Housing and Urban Development pays \$9.00 per floor of each new manufactured home whose location, after leaving the manufacturing plant, is on the premises of a distributor, dealer, or purchaser in Kentucky. An additional, \$2.50 per home is received for homes manufactured

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)

Note 12 - Manufactured Home Construction Program (Continued)

within the Commonwealth of Kentucky. These services are performed in connection with the National Mobile Home Construction and Safety Standards Act of 1974. For these services, the Department of Housing, Buildings, and Construction received \$141,365 for the year ended June 30, 1998. The Department's expenditures are not relevant since this agreement calls for the use of Department personnel, materials, and equipment for services regardless of the Department's cost.

Note 13 - Non-cash Expenditure Programs

The Commonwealth had 17 non-cash programs for the year ended June 30, 1998. These non-cash programs and a description of the method/basis of valuation follow.

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
10.550	Department of Corrections	Food Distribution	\$ 187,104	Value of product received from USDA Office.
10.550	Department of Agriculture	Food Distribution	13,982,507	USDA's value at the time of delivery to recipient agencies.
10.551	Cabinet for Families and Children	Food Stamps	352,605,393	Coupon value.
10.565	Department of Agriculture	Commodity Supplemental Food Program	1,165,546	Quantity issued to recipients valued at USDA's May 1998 prices.
10.569	Department of Agriculture	Emergency Food Assistance Program (Food Commodities)	3,134,739	USDA's value at the time of delivery to recipient agencies.
10.664	Natural Resources and Environmental Protection Cabinet	Cooperative Forestry Assistance	2,935,054	Original acquisition cost of equipment.
39.003	Finance and Administration Cabinet	Donation of Federal Surplus Personal Property	1,812,050	23.3% of Federal acquisition cost (\$7,777,040).

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)

Note 13 – Non-cash Expenditure Programs (Continued)

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
59.036	Commonwealth Small Business Development Corporation	Certified Development Company Loans (503 Loans)	1,000,295	Outstanding value of loans.
59.041	Commonwealth Small Business Development Corporation	Certified Development Company Loans (504 Loans)	23,421,674	Outstanding value of loans.
93.116	Cabinet for Health Services	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	69,051	Per authorized award for personnel costs and travel.
93.268	Cabinet for Health Services	Immunization Grants	10,744,842	Per authorized award for personnel and vaccine costs.
93.919	Cabinet for Health Services	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	150,000	Per authorized personnel and other costs and travel.
93.940	Cabinet for Health Services	HIV Prevention Activities - Health Department Based	64,877	Per authorized personnel and other costs.
93.977	Cabinet for Health Services	Preventive Health Services - Sexually Transmitted Diseases Control Grants	75,591	Per authorized personnel costs and travel.
NA	Kentucky Housing Corporation	FHA/VA Insured Loans	(Note 3g)	Book value of loans.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998
(CONTINUED)

Note 13 – Non-cash Expenditure Programs (Continued)

CFDA #	State Agency	Program Title	Amount	Method/Basis of Valuation
NA	Department of Fish and Wildlife Resources	U.S. Army Corps of Engineers Conditional Projects	(Note 11)	Use of Federally owned land.
NA	Natural Resources and Environmental Protection Cabinet	USDA Natural Resources Conservation Service	35,175	Soil Conservation Service assistance in paying salary.
Total Non-Cash Expenditures			<u>\$411,383,898</u>	

Note 14 - Zero Expenditure Programs

These programs had no expenditures during the year ended June 30, 1998. They included programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the fiscal year. They also included programs with activity other than expenditures.

Note 15 - Changes in CFDA # Classification

Due to Federal reclassifications, one program is currently reported under different CFDA numbers from the CFDA number previously reported in the June 30, 1997 Schedule of Expenditures of Federal Awards.

Previously reported as:

<u>CFDA #</u>	<u>Federal Program Name</u>
83.516	Disaster Assistance

Reported in 1998 as:

<u>CFDA #</u>	<u>Federal Program Name</u>
83.543	Individual and Family Grants
83.544	Public Assistance Grants